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ORIGINAL

**Energy Division Staff Report**  
**Recommendation to Open Proceedings to Consider Implementation of PURPA Standards**

**November 19, 2008**

Introduction and Summary

The Energy Independence and Security Act of 2007 ("EISA 2007") (P.L. 110-140) was passed by the U.S. Congress and enacted into law on December 19, 2007. Among many other things, EISA 2007 adds six new standards to the Public Utility Regulatory Policies Act of 1978 ("PURPA") that state commissions and utilities must generally consider implementing pursuant to the schedules listed in the new legislation. Two of the new standards apply to natural gas utilities and have been added to section 303(b) of PURPA (15 U.S.C. § 3203(b)), and four new standards apply to electric utilities and have been added to section 111(d) of PURPA (16 U.S.C. § 2621(d)).

The Commission's consideration of the two new natural gas standards, Standard (5) ("Energy Efficiency") and Standard (6) ("Rate design modifications to promote energy efficiency investments"), must be completed by December 19, 2009. Title III of PURPA applies to natural gas utilities that have annual retail sales greater than 10 billion cubic feet (approximately 100,000,000 therms). There are six utilities whose retail sales exceed 10 billion cubic feet. These utilities are the following: Central Illinois Light Company (AmerenCILCO), Central Illinois Public Service Company (AmerenCIPS), Illinois Power Company (AmerenIP), Nicor Gas Company, North Shore Gas Company, and Peoples Gas Light & Coke Company.

Consideration of two of the new electric utility standards – Standard (17) ("Rate design modifications to promote energy efficiency investments") and Standard (18) ("Consideration of smart grid investments") -- must begin by December 19, 2008, and must conclude by December 19, 2009. Staff's interpretation of EISA 2007 is that the two other new electric utility standards, Standard (16) ("Integrated resource planning") and Standard (19) ("Smart grid information"), do not require action by the Commission.

Title I of PURPA applies to electric utilities that have annual retail sales exceeding 500 million kWh. There are five electric utilities in Illinois that annually exceed that threshold amount of retail sales. The five electric utilities are the following: AmerenCILCO, AmerenCIPS, AmerenIP, Commonwealth Edison Company, and MidAmerican Energy Company.

Staff recommends that the Commission open proceedings by December 19, 2008, to begin consideration of the two electric standards and the two natural gas standards that require Commission action.

Discussion

PURPA, as originally enacted in 1978, contained six federal standards, known as Standards (1) – (6), that are applicable to electric utilities. Standards (7) – (10) were added when

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PURPA was amended by the Energy Policy Act of 1992. The Energy Policy Act of 2005 added five new Standards (Standards (11) – (15)). EISA 2007 added Standards (16) – (19). Additionally, EISA 2007 added natural gas Standards (5) and (6). As noted above, Staff's opinion is that only electric Standards (17) and (18), of the four new electric standards, require Commission action. PURPA originally contained two natural gas standards; two more were added by the Energy Policy Act of 1992. EISA 2007 has now added a fifth and sixth natural gas standard, both of which will require Commission action.

PURPA section 111(b) lists the procedural requirements for consideration of the electric Standards. Public notice of the Commission's consideration of the electric standards must be given and hearings must be conducted. Each determination regarding the electric standards must be in writing, must be based on findings included in the determination and on evidence presented at the hearing, and must be available to the public. Section 303(a) of PURPA describes the process for consideration of the natural gas standards, also requiring public notice and a hearing.

Consideration of each of the new standards must begin by a date that is specified in the amended sections of PURPA. These sections also specify the dates by which the Commission must make a determination whether to adopt the Standards. The deadlines, if applicable, for the standards are summarized in the following tables:

**Table 1: Timetable for Natural Gas PURPA Investigations**

<b>PURPA Standard</b>	<b>Must Begin Consideration By</b>	<b>Must Make Determination By</b>
(5) Integrated resource planning	No beginning date specified	December 19, 2009
(6) Rate design modifications to promote energy efficiency investments	No beginning date specified	December 19, 2009

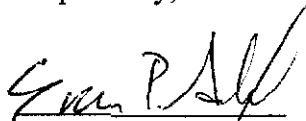
**Table 2: Timetable for Electric Utility PURPA Investigations**

<b>PURPA Standard</b>	<b>Must Begin Consideration By</b>	<b>Must Make Determination By</b>
(16) Integrated resource planning	No Action Required	Not Applicable
(17) Rate design modifications to promote energy efficiency investments	December 19, 2008	December 19, 2009
(18) Consideration of smart grid investments	December 19, 2008	December 19, 2009
(19) Smart grid information	No Action Required	Not Applicable

## Conclusion

Staff recommends that the Commission open proceedings to consider whether to adopt the two natural gas standards and two of the four electric utility Standards that were added to the Public Utility Regulatory Policies Act when the Energy Independence and Security Act of 2007 was signed into law on December 19, 2007. The Commission must conclude its consideration of these Standards by December 19, 2009.

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12/11/08  
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